

## Message Text

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47

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 IO-10 ISO-00

AGR-05 SP-02 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 COME-00 CIAE-00 INR-07 NSAE-00

L-02 H-02 FRB-03 TAR-01 PA-01 PRS-01 USIA-06 /119 W

----- 124050

P R 011726Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0744

INFO AMEMBASSY CANBERRA

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BUJUMBURA

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY NAIROBI

AMEMBASSY MONROVIA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

AMEMBASSY YAOUNDE

AMEMBASSY BANGUI

AMEMBASSY COTONOU

AMEMBASSY LIBREVILLE

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AMEMBASSY ABIDJAN

AMEMBASSY TANANARIVE  
AMEMBASSY LOME  
AMEMBASSY PANAMA  
AMEMBASSY ASUNCION  
AMEMBASSY LIMA  
AMEMBASSY LISBON  
AMEMBASSY KIGALI  
AMEMBASSY FREETOWN  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY CARACAS  
AMEMBASSY KINSHASA  
AMEMBASSY LAGOS  
USMISSION GENEVA  
USMISSION EC BRUSSELS  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY OSLO  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJ: COFFEE: LONDON TERMINAL MARKET IN UNCERTAIN STAGE  
WITH RUMORS OF ROBUSTA "SPECIAL DEALS"

1. SUMMARY. THE LONDON TERMINAL COFFEE MARKET SEEMS TO HAVE ENTERED A NERVOUS STAGE, WITH FUTURES PRICES REACHING QUITE LOW LEVELS APRIL 29 AMID RUMORS OF "CUT RATE" SALES OF ANGOLA ROBUSTAS. DEALERS FEAR THAT THE MARKET MAY SUDDENLY BOTTOM OUT AND OVERREACT ON THE UPSWING, TO THE DETRIMENT OF THE RATHER LARGE GROUP  
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WHO HAVE SOLD SHORT. WITH REGARD TO IMPLICATIONS FOR NEGOTIATIONS OF NEW ICA, IT IS TOO EARLY TO DRAW CONCLUSIONS, BUT INTENSIFICATIONS AND PROLONGATION OF UNCERTAINTY WOULD NOT BE A FAVORABLE FACTOR. END SUMMARY.

2. COFFEE PRICES ON THE LONDON TERMINAL MARKET DROPPED TO A NEW LOW ON APRIL 29, WITH THE JULY POSITION DOWN TO POUNDS 384 (US\$910) PER TON AT ONE POINT. THIS WAS

APPROXIMATELY A POUNDS 50 DECLINE IN LITTLE LESS THAN  
A MONTH. THE INTERNATIONAL COFFEE ORGANIZATION (ICO)  
INDICATOR PRICES FOR OTHER MILDS AND ROBUSTAS, ON THE  
SAME DAY, WERE US\$47 AND \$48.75 PER POUND RESPECTIVELY.  
BY CLOSE OF DAY, PRICES RECOVERED SLIGHTLY AND  
BY APRIL 30 WERE UP TO POUNDS 393, STILL WELL BELOW  
THE JULY POSITION OF A WEEK EARLIER.

3. IN AN ITEM HEADLINE, "CUT-PRICE COFFEE REPORTS,"  
THE APRIL 30 FINANCIAL TIMES REPORTED "REPEATED RUMORS  
OF CHEAP SALES OF ANGOLA ROBUSTAS HAVE BEEN A MAJOR

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L-02 H-02 FRB-03 TAR-01 PA-01 PRS-01 USIA-06 /119 W

----- 124154

P R 011726Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0745

INFO AMEMBASSY CANBERRA

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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FACTOR IN THE RECENT DECLINE AND THIS WAS BACKED UP  
BY LAST WEEK'S ANNOUNCEMENT OF A REDUCTION IN IVORY

COAST AND MADAGASCAR OFFICIAL SELLING PRICES." THE ARTICLE SUGGESTED THAT EASING OF ROBUSTA PRICES HAD TENDED TO RESTORE THE TRADITIONAL RELATIONSHIP BETWEEN ROBUSTAS AND OTHER MILDS, BUT THAT AN UNSETTLING FACTOR WAS LINKAGE OF BRAZILIAN COFFEE "SPECIAL DEALS" TO ROBUSTAS AND OTHER MILDS VIA THE ICO INDICATOR. THE ARTICLE ALSO ACCURATELY REPORTED THAT DEALERS WERE LIMITED OFFICIAL USE

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CONCERNED ABOUT THE "LARGE SHORT POSITION (THAT) HAS NOW BUILT UP ON THE TERMINAL MARKET AND THAT ANY SIZABLE UPWARD MOVEMENT COULD QUICKLY SNOWBALL INTO A MAJOR UPSURGE."

4. A DEALER ON THE TERMINAL MARKET CONFIRMED TO THE EMBASSY THAT THE FINANCIAL TIMES ARTICLE ACCURATELY REFLECTED THE PRESENT STATE OF UNEASE. HE SAID THERE ARE RUMORS OF "SPECIAL DEALS" OF AMBRIZ BB ON THE CONTINENT (BUT NOT IN UK) NETTING OUT AT BETWEEN POUNDS 364-370 PER TON, AND EXPRESSED REAL CONCERN ABOUT A SUDDEN REVERSAL IN THE MARKET.

5. COMMENT. THE OUTLOOK SEEMS TO BE FOR A NERVOUS MARKET FOR THE NEXT DAYS .AND AS THE FINANCIAL TIMES POINTS OUT, WITH THE TRADITIONAL BRAZIL "FROST SCARE" ABOUT A MONTH AWAY, A BULLISH ELEMENT IS INJECTED. THIS IS SO EVEN WHILE THE TERMINAL MARKET IS STILL VERY MUCH THE DOMAIN OF THE BEARS. WHILE IT IS TOO EARLY TO ATTEMPT TO READ MUCH INTO THIS SITUATION WITH REGARD TO NEGOTIATIONS FOR A NEW INTERNATIONAL COFFEE AGREEMENT (ICA) NEXT MONTH, IMPLICATIONS ARE CERTAINLY NOT POSITIVE. A CLEAR PROSPECT FOR A STEADY DECLINE IN PRICES, MIGHT, THEORETICALLY, MAKE THE PRODUCERS MORE WILLING TO NEGOTIATE, BUT A PROLONGED PERIOD OF MARKET UNCERTAINTY WOULD ONLY COMPLICATE MATTERS. A CAVEAT IS NECESSARY REGARDING LONDON MARKET RUMORS--THESE CERTAINLY CAN AND DO AFFECT SHORT-TERM SWINGS, BUT THEIR RELIABILITY AS REGARDS WHAT REALLY HAPPENED IN A SPECIFIC CASE MAY BE WELL OFF THE MARK. WE HAVE NO CONFIRMATION THAT ANY "SPECIAL DEALS" HAVE BEEN MADE REGARDING ANGOLAN COFFEE.  
RICHARDSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, PRICES, TRADE DATA, MARKET OPPORTUNITIES  
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**Copy:** SINGLE  
**Draft Date:** 01 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**Reference:** n/a  
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**Review Authority:** GolinoFR  
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**Review Content Flags:**  
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**Review Exemptions:** n/a  
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Margaret P. Grafeld  
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EO Systematic Review  
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**Status:** NATIVE  
**Subject:** COFFEE: LONDON TERMINAL MARKET IN UNCERTAIN STAGE WITH RUMORS OF ROBUSTA "SPECIAL DEALS"  
**TAGS:** ETRD, EAGR, UK  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006